FUTURES

Two weeks ended Feb. 16, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March '84	183.50	171.50	179.30	178.40	2,349	240.50	170.60
May	193.10	182.00	189.70	188.00	2,937	245.50	182.00
July	201.20	190.30	195.90	195.30	1,483	252.50	190.30
Sept.	206.70	193.30	201.10	197.20	763	236.00	193.30
Nov.	207.40	196.00	201.80	201.00	590	228.80	196.00
Jan. '85	211.00	202.30	208.00	207.20	102	221.30	202.30
March	215.50	210.50	213.00	212.00	336	220.00	209.30
PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
March '84	203.20	193.50	200.10	195.50	356	225.00	183.00
May	205.00	196.30	202.90	198.50	130	208.50	187.50
July	208.50	199.00	205.00	202.10	53	210.00	190.50
Sept.	209.50	202.50	206.50	205.50	9	212.50	199.00

Total Contract Vol. (Through 2/16): 22,836 — **Previous Two Weeks: 18,346**
Total Open Interest (As of 2/16): 8,401 — **Previous Week: 8,260**
Cash Price: $184.24 — **Previous Week: $181.30** — **Year Ago: $170.52**

Total Contract Vol. (Through 2/16): 732 — **Previous Two Weeks: 512**
Total Open Interest (As of 2/16): 548 — **Previous Week: 572**
Cash Price: $198.94 — **Previous Week: $200.90** — **Year Ago: $196.00**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	268.0	268.3	244.6

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, 2/16.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

LUMBER REPORT

Wood deck popularity fuels record treated lumber sales

NATIONAL REPORT—While it is early in the season to judge the strength of treated lumber sales, chains and wholesalers are anticipating another booming year.

Builder Marts of America expects to sell 24 million board feet of treated lumber this year compared to 18 million board feet in 1983, according to Phil Arnold, BMA treated lumber manager.

At Sherwood Lumber, the Long Island wholesaler, sales are up 100% over last year, according to buyer Jim Butler.

Payless Cashways has purchased about 15% more treated lumber this year than last, according to senior lumber trader Vaughn Corban.

Treated lumber reached an all-time popularity last year, when the American Wood Preservers Bureau put its approval stamp on 2.2 billion board feet of treated lumber to be used for decks and similar construction; this was a 32% increase over the treated product approved in 1982.

The AWPB is expecting somewhat less of an increase in 1984, ranging from 20% to 25%. However, based on figures for January the interest in treated wood is climbing at an even faster rate than last year.

More than 187 million board feet of treated lumber were approved by the AWPB in January, about 64% more than went through the quality control inspection a year ago. The organization asserts that its numbers cover about 70% of all treated wood.

The increase in the numbers and continuing interest in the product by retailers and wholesalers seems to reflect America's sustained romance with decks.

"Treated is taking some business from cedar and redwood," said BMA's Arnold. "But more and more people are improving their residences. Treated doesn't seem to be tied in with new housing starts. Decks are just now becoming an amenity on new homes."

Indeed, lumber treated with water-borne preservatives, mostly chromated copper arsenate (CCA), has become in many respects the definitive DIY item. Sales are driven by remodeling as opposed to new construction, and at least two manufacturers, Coppers and Osmose, are transforming the commodity into a brand name product.

The sales potential has not been lost on either retailers or wholesalers. Scotty's, which sold 45 to 50 million board feet of treated lumber through June 1983 expects to sell at least 55 million board feet this year, according to Scotty's syp buyer Tom Lindsey.

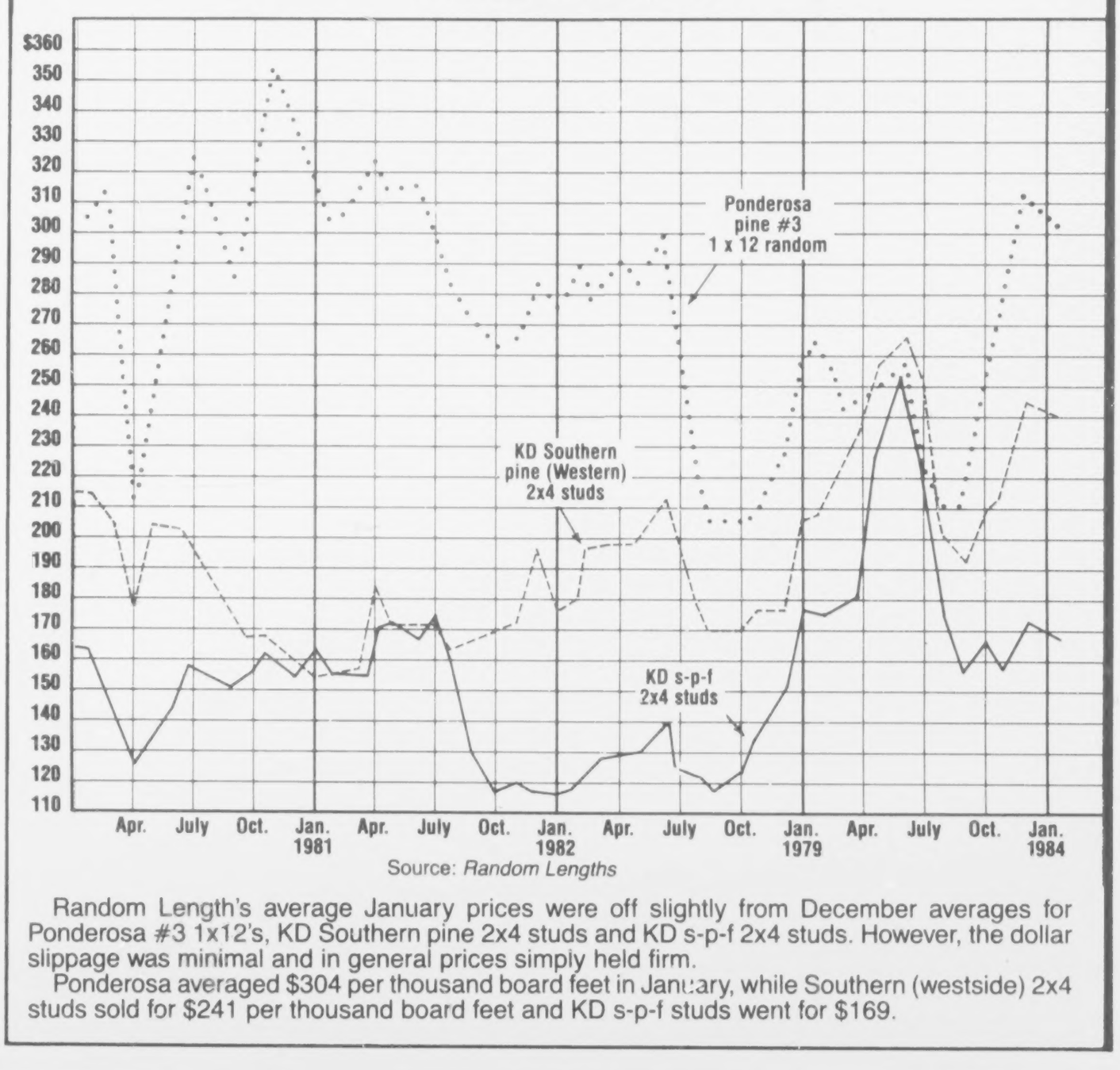
"It's gotten to be a major factor," he said. "We're selling two times as much treated as we are yellow pine."

BMA's growth in treated

(continued on page 22A)

Commodity close-up: Studs & boards

Average monthly mill prices

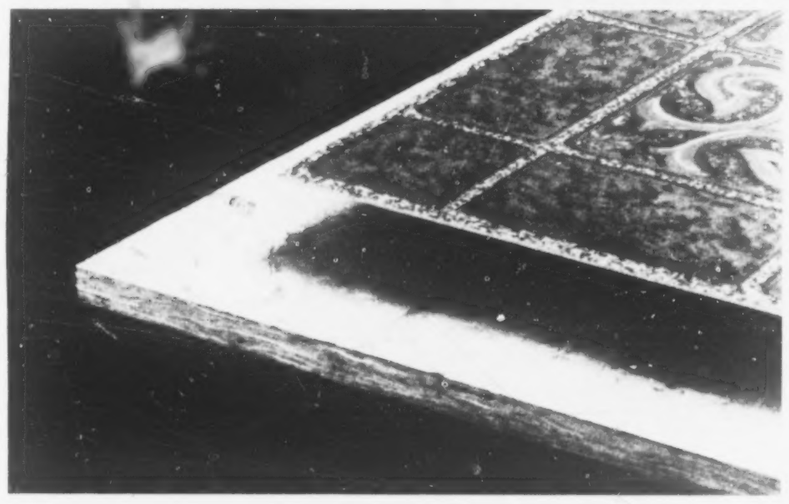


Source: *Random Lengths*

Random Length's average January prices were off slightly from December averages for Ponderosa #3 1x12's, KD Southern pine 2x4 studs and KD s-p-f 2x4 studs. However, the dollar slippage was minimal and in general prices simply held firm.

Ponderosa averaged $304 per thousand board feet in January, while Southern (westside) 2x4 studs sold for $241 per thousand board feet and KD s-p-f studs went for $169.

Together, at last



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LUMBER REPORT

America's love affair with decks propels sales of treated lumber

(Continued from page 22)

lumber has been staggering. Until 1981 the company was just making back-to-back purchases, according to Arnold. That year the buying group made its first block purchase. Its target for treated business is now 600% of what it was two years ago.

"We were somewhat behind on our efforts in treated until a couple of years ago" said Arnold. "We're just catching up. We have inventories in seven states right now an all-time record."

PAL's lumber sales have grown substantially as well over the past few years. The much smaller buying coop had sales of $4.3 million last year compared with $2.5 million in 1981, a 67% increase.

Companies expect strong sales to continue this year based on their purchases of treated lumber so far. BMA bought 4.3 million board feet in October that is essentially sold. Another 5.7 million board feet purchased in January should be sold by June, Arnold said.

Long Island's Sherwood Lumber bought five million board feet in September, which was all sold by December, according to Butler, the syp buyer. A second block of five million board feet bought around Jan. 15 was half sold a month later, he said.

Prices for the second purchase had already risen by $20 to $25 per thousand board feet, Butler added.

"We took a gamble because the timing was good," Butler said. "Once we knew we owned it I started putting the bug into retailers' heads."

Taking a large position in syp treated lumber offered potential profit opportunity based on the price rise from the fall, Butler noted. Westside syp averaged $220 per thousand board feet in September, according to Random Lengths. By January the price had risen to $264.

In contrast, Scotty's bought more cautiously, according to Lindsey, because prices were already relatively high in the fall, meaning that prices might move upward less sharply.

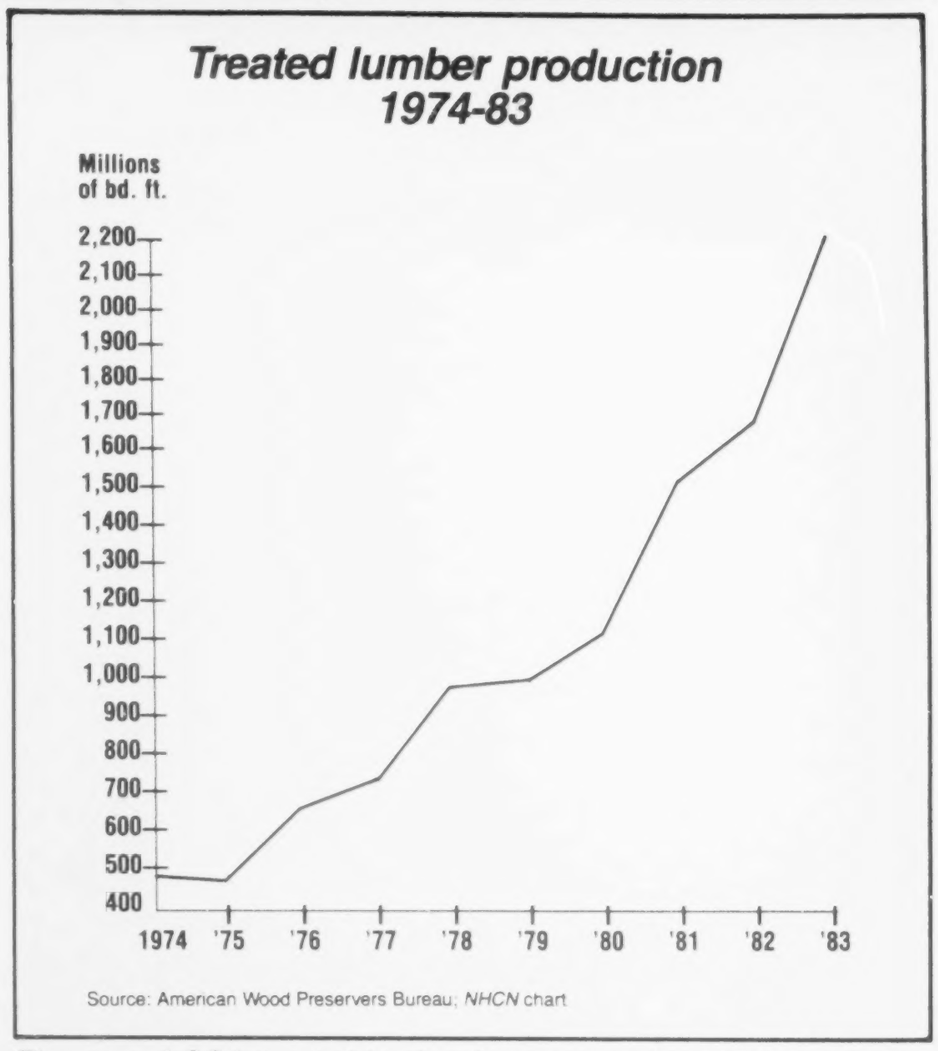
"This year 2x4s, the biggest mover, is 15% down from the all-time high," he said.

He noted that Random Lengths' price for 2x4x12s was $232 last October compared with $177 in October 1982.

In some markets ponderosa pine continues to be a factor in treated lumber sales. Payless Cashways' Corban noted that the treated lumber Payless sells in Iowa is predominately ponderosa.

Arnold noted that BMA's inventory of 1- and 2-in. thick lumber in Wisconsin is ponderosa. The preference is also a matter of price, he said, although some dealers claim that ponderosa yards better than syp.

There is a limit on how much of a factor ponderosa can become in treated lumber, Arnold noted, because western mills that produce softwood commodity lumber label it s-p-f and do not distinguish whether an individual piece is spruce, pine or fir. Since only pine accepts treating chemicals well, mills aiming at the treated market would have to modify their production methods.



The use of CCA treated lumber has grown about 350% over the past 10 years based on American Wood Preservers Bureau figures. The numbers represent the board feet approved by the AWPB, a quality control organization. AWPB-approved wood represents about 70% of all treated lumber, according to that organization.

Predict explosion in treated wood uses

ARLINGTON, Va.—The greatest volume of wood treated with water-borne preservatives will continue to go into the deck-building market during the next decade according to projections by the Society of American Wood Preservers.

However, the growth rate of that market will be low compared to the explosive expansion in other treated wood uses the Society projects.

"People are looking at the DIY market as having plateaued" said David Lewis SAWP director of Government Affairs. Treaters are pursuing other markets, he said.

Those other applications include wood treated with fire retardant chemicals and preservatives in all-weather wood foundations and sound barriers along highways.

According to Lewis, current production of lumber treated with water-borne preservatives is about three billion board feet, which is expected to increase by about a billion board feet in three years and double over the next decade.

Of current production roughly two billion board feet went into decks and similar projects last year. That amount should increase to 2.5 billion in three years and 3.8 billion in 10 years, according to Lewis.

That steady growth may be reassuring to lumber dealers, but their greatest opportunity may be in the potential of treated lumber as a fire retardant, according to the society. While only 200 million board feet of lumber were treated with fire retarding chemicals last year, the Society expects 600 million board feet to be treated annually in three years which should grow to 1.7 to two billion board feet in 10 years.

Lewis said that a major marketing effort would be made by the treating industry to promote fire retardant lumber. While most fire retardant lumber has been used commercially so far, Lewis felt that the safety aspects of the product, along with insurance savings, could result in a retail market as well.

Fire retardant lumber is treated with different chemicals from chromated copper arsenate.

While, strong growth is predicted for new applications of lumber treated with preservatives, ultimately the amount of lumber consumed for these purposes is expected to be dwarfed by the deck and fire retardant markets.

About 24 million board feet of treated lumber went into all-weather wood foundations last year, according to the SAWP, which expects that amount to more than double in the next three years.

Highway sound barriers used three million board feet of treated lumber this year, and should use 20 million in three years.

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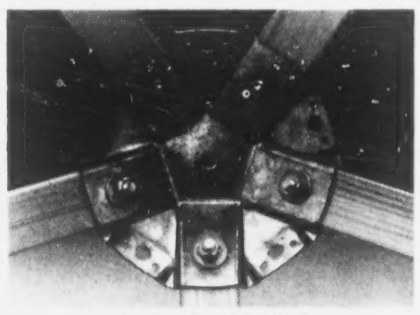

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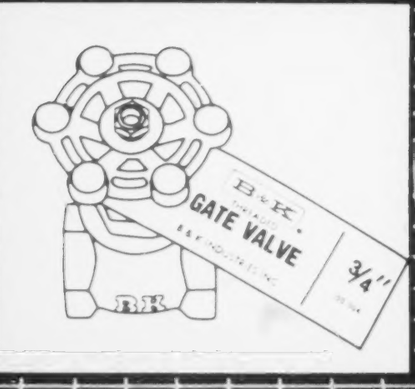

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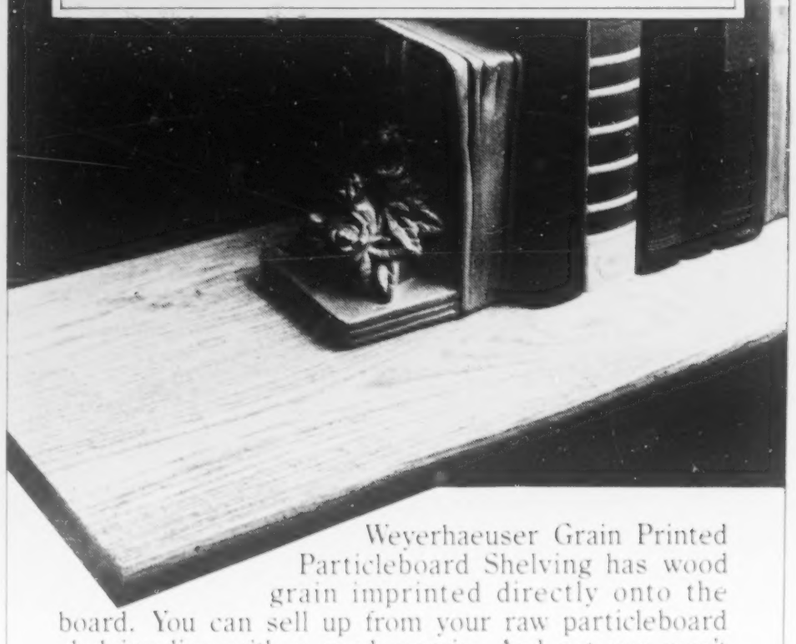

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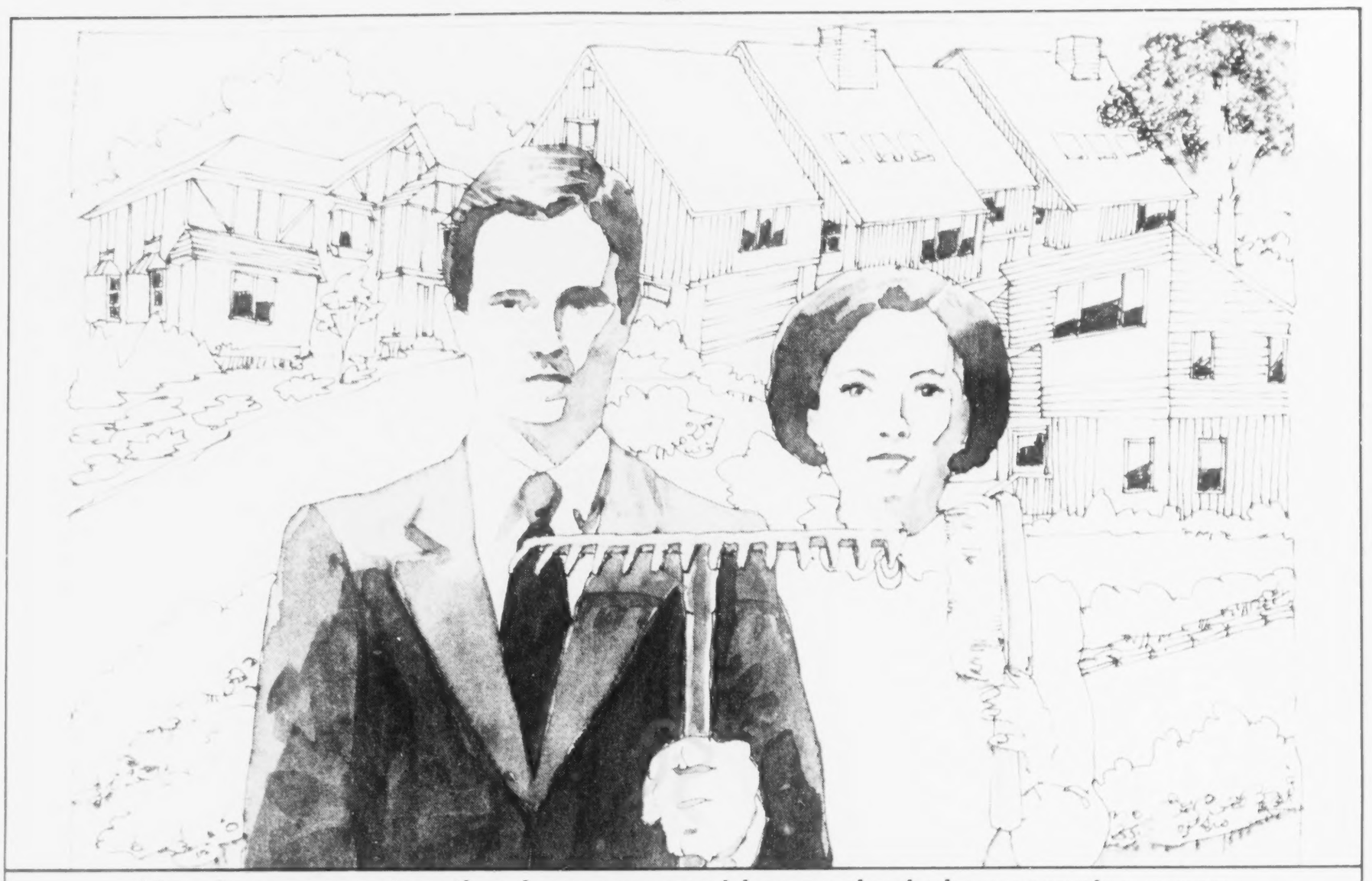
Why home construction in the 80's will fall short of expectations

By Wyatt Kash
NHCN editor



NEWS ANALYSIS

The month was December, the year 1978: America's housing industry was still riding the crest of an era when two million housing starts a year was both a symbol of vitality and the prognosis for the decade ahead.

By all accounts, 42 million people were scheduled to reach the age of 30 during the 1980's—10 million more people at the home buying threshold than in the decade before, when housing demand had already cast 1971, '72, '73 and '77 into an elite club of two million housing-start years.

It was to be, however, the last month on record for which U.S. Department of Commerce figures would show the annual rate of new home starts at the two million plateau; and the last year in which American home builders were to begin work on two million new homes.

Now, 63 months later, following back-to-back recessions that hurtled the home building industry from production peak to purgatory, home builders are once again reaching for the two million unit plateau.

Commerce Department figures released last month startled even the optimists, who are calling for a 1.7 million housing-start year this year, as the rate of new home starts rose to 1.92 million units. It was the largest single jump—25.9%—in a year, and most of it came from single-family home starts.

But to a growing cadre of housing analysts and demographers, the forces thought to be underlying the expected demand for housing five years ago are no longer the same. Indeed, the notion that America can sustain the housing production levels of the past decade has come under increasing doubt.

New housing dynamics

Because of changes in the way Americans are choosing and in many instances, being forced, to live, the rate of household formation is expected to slip dramatically during the 1980's, rather than grow.

Moreover, while pressure remains high in many regions, particularly in the Pacific, Mountain, South Central and South Atlantic states, to meet housing demand, the adaptive use of existing housing inventory is increasingly filling the need for additional housing stock.

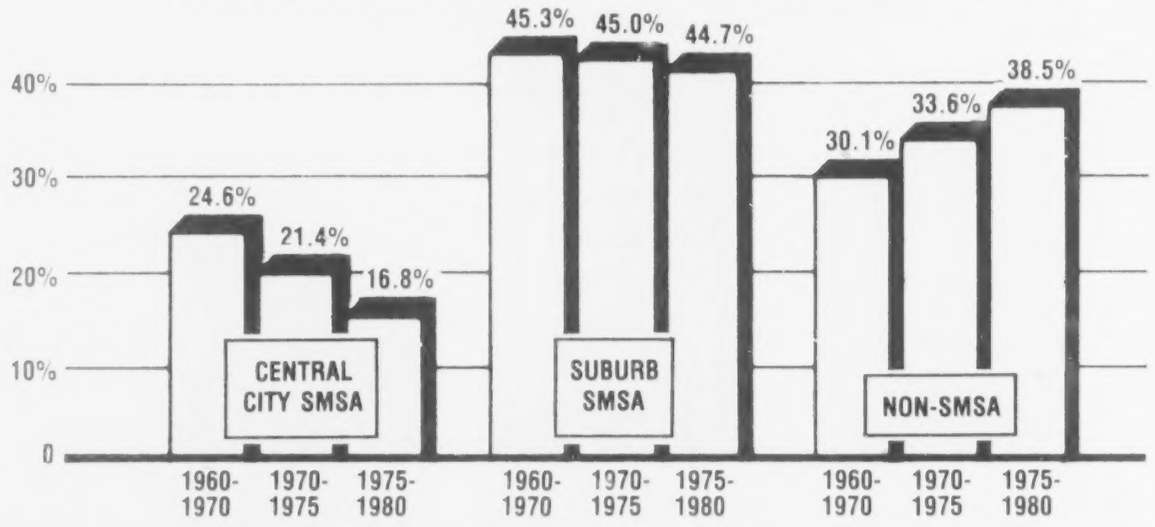
And, perhaps most importantly to building material marketers, is the growing force of nonmetropolitan markets, which have moved up to the No. 2 position for growth, behind suburban SMSA's, and well ahead of metropolitan SMSA's. During the 1970's, almost 30% of the total growth in housing inventory was in nonmetropolitan areas, according to William G. Apgar Jr., director of the Housing Futures Program at the Joint Center for Urban Studies of M.I.T. and Harvard University.

That, notes Apgar, is equivalent to the share captured by the nation's 34 largest metropolitan areas.

These changes promise to alter many of the assumptions the building supply and home improvement industry have held regarding the growth of housing in the United States, if not in magnitude and degree, at least in texture and composition. And foremost among those assumptions is the belief that America's pent up demand for housing will fuel a need for no less than two million new housing units a year during the 1980's. In fact, current indications now suggest that housing demand will support only 1.6 million new housing units a year, with an increasing portion of investment going into existing housing stock.

New home construction has occurred increasingly in nonmetro areas

(% of distribution of total new home construction plus mobile home placements)



Note: SMSA equals the 243 Standard Metropolitan Statistical Areas defined by the Office of Management and Budget in 1971.

Source: U.S. Bureau of Census, 1970, 1975, 1980 census and housing surveys; Joint Center for Urban Studies, M.I.T. and Harvard University (1983); *NHCN* chart

Household growth rates are slipping while fewer homes are being removed from the nation's stock. New construction will come increasingly from nonmetro and urban fringe markets.

Two million fewer households

While the growth in population is a driving force in household formation, the actual number of households can rise at a faster rate than the number of people if the number of people in an average household declines.

That has been the case over the past two decades, as more and more individuals, and unmarried adults with children, formed their own households.

According to George Masnick, also of the Joint Center for Urban Studies, 16.8 million households were added to existing stock, between 1970 and 1980, compared to net additions of 10.6 million in each of the previous two decades.

Married couples headed only 28% of the new household additions during the 1970's while single persons headed 42%, (related family members comprised the balance of household formations.) Where married couples once comprised 80% of the households in the United States in 1950, they now account for only 60%.

Slowdown in new households

"It is a mistake to assume that the pattern of change during the 1970's will automatically continue into the 1980's and beyond," however, warns Masnick.

"There is good reason to expect that [household] headship rates among unmarried adults of all ages will stop increasing, and may even decline in the future," he said, in a report published by the Joint Center.

For one, the baby boom generation that fueled 63% of the new households created during the 1970's simply as a result of aging, is beginning to taper as that generation moves into middle age. Secondly, the population of adults reaching age 20 and older, which numbered 2.8 million a year in the second half of the last decade, will decline to 2.4 million in the first half of this decade, and 1.7 million in the second half, according to estimates by Robert Gough, senior vice president of Data Resources Inc. By the first half of the 1990's, he added, the figure drops to 1.3 million.

Perhaps as importantly, the high cost of housing relative to income and affordability continues to force many adults to delay setting out on their own, further limiting household growth.

"Throughout the remainder of this century," according to Masnick's view, "the relative absence of young children and the [existence of] larger housing units occupied by empty nest households may encourage an increase in two-generation households made up of both young adults and their parents and the middle aged and the elderly."

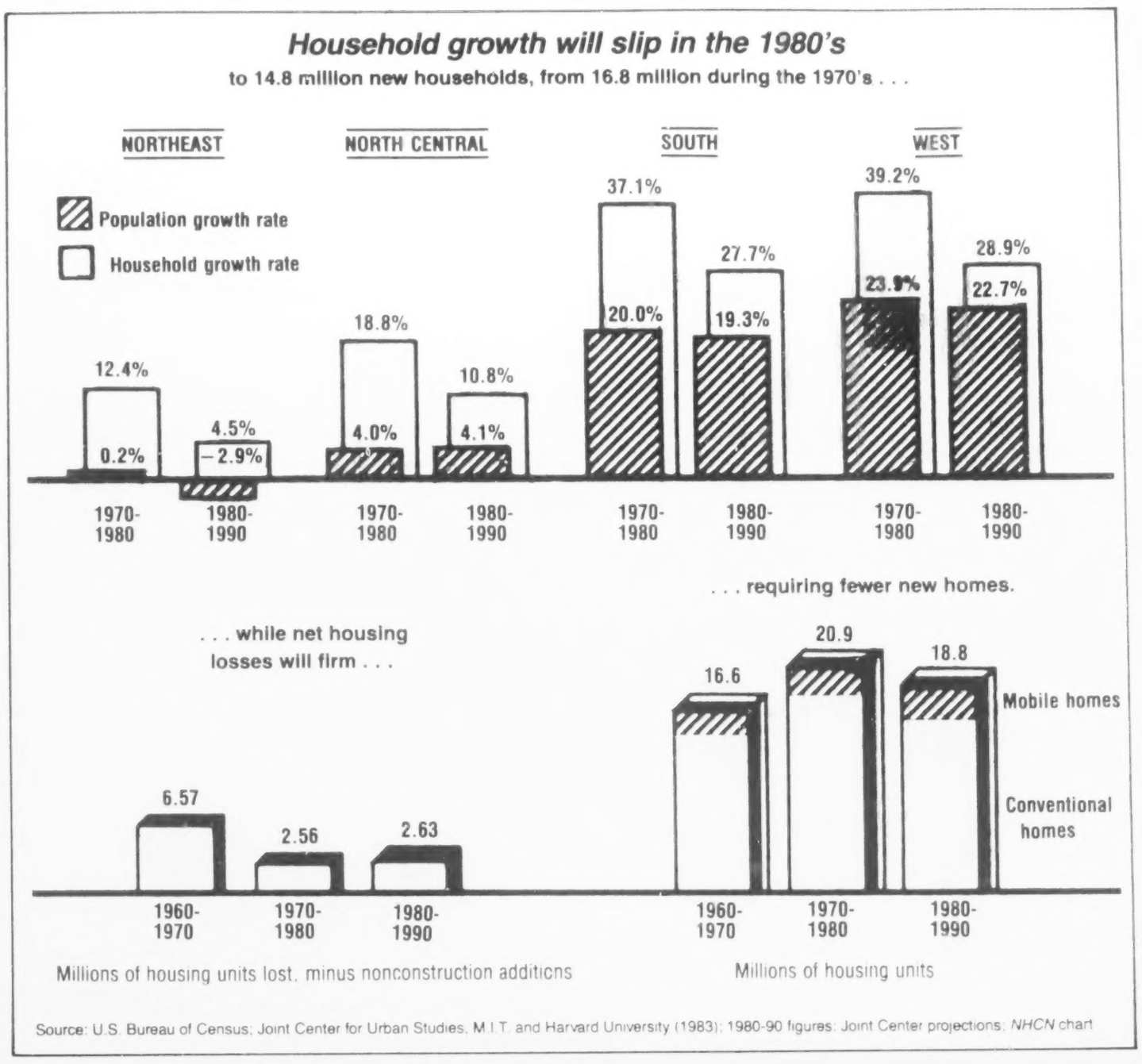
As a result, household formations will continue to grow faster than the population itself, according to Masnick and Apgar, but they will do so at a lesser rate during the next two decades.

Fewer new homes

Current population forecasts show that the growth expected during the 1980's (11.2%) will virtually match the 11.4% growth rates seen during the 1970's.

However, the growth rate for household formation, which grew at a rate of 26.4% during the last decade, is ex-

(Continued on page 46)



Why home building will fall short of expectations

(Continued from page 45)

pected to drop to 18.3% in the 1980's.

Put a different way, rather than the 1.6 million to 1.7 million new households per year originally predicted for the 1980's, indications now suggest the average will come closer to 1.48 million during the 1980's, and fall to 1.1 million in the early 1990's and 1 million by the end of the century, according to Joint Center estimates.

The result: 14.8 million new households will form in this decade, two million fewer than the previous decade.

The implication: Taking into account losses of existing homes which must be replaced, and assuming 2.5 million mobile home shipments will fill some of the total demand for housing, the Joint Center now estimates only 16.3 million conventional housing starts will materialize in the 1980's, compared to nearly 19 million the decade before.

One of the hidden forces behind these lowered housing projections is the reduction in the loss rate of existing homes over the past two decades, and the fact that non-new construction additions—the conversion of single-family homes into multiunit dwellings, for example—has risen.

Together, these two factors are playing a larger role in meeting some of the demand for additional housing. For instance:

During the 1960's, the housing market showed a net loss of 6.6 million homes, due to abandonment, destruction and the conversion of homes to other uses. This loss significantly offset gains made during the decade by the construction of 16.6 million new homes.

In contrast, net losses during the 1970's came to less than 2.6 million units, while home builders added 20.9 million homes to the national inventory.

The reduction in net losses is partly a reflection of lower total losses, as, in Apgar's words: America finished "weeding out a lot of junk housing stock" over the past two decades.

But it also reflects the fact that at least 2.7 million housing units were added back into market through conversions during the 1970's. These non-new construction additions (subtracted from gross losses to yield net losses), were nearly twice the number reported by the Census Bureau for 1960-70.

This increase played a significant role in boosting residential repairs and remodeling activity, which rose from $14.8 billion in value in 1970 to 46.3 billion in 1980 ($26.2 billion to $34.3 billion in constant 1977 dollars).

Home losses declining

The most substantial reductions in housing loss, occurred where population growth pressure was greatest, observes Apgar.

Gross loss rates of 15.6% recorded in central cities in the South, and 10.2% for suburbs in that region for 1960-70, for instance, fell to 8.1% and 6.1%, respectively, for 1970-80. Gross loss rates are the portion of housing inventory, as a percentage of inventory at the beginning of the decade, removed from the market.

Conversely, gross loss rates remain relatively high in North Central metropolitan markets (10.9% for 1970-80) and actually rose in Northeastern cities, from 10.6% in the 1960's to 11.9% in the 1970's.

However, Apgar notes that many of these homes are "disappearing" because of the growing interest in rehabilitation and conversions. In fact, Apgar predicts the Northeast will gain 25% (or about 600,000) of the units expected to be added in the 1980's from the non-new construction sector.

With net inventory losses having declined from 10.9% of total housing inventory in the 1960-70 period, to 3.7% in 1970-80, Apgar predicts that the actual number of houses lost in 1980-90 (2.6 million units, net) will be as low as those of the previous decade. That outlook suggests two things:

First that renovation, repairs and remodeling expenditures will account for an increasing share of total housing investments in the United States. The Joint Center for Urban Studies predicts that between 250,000 and 400,000 non-new construction units will be added

(Continued on page 48)

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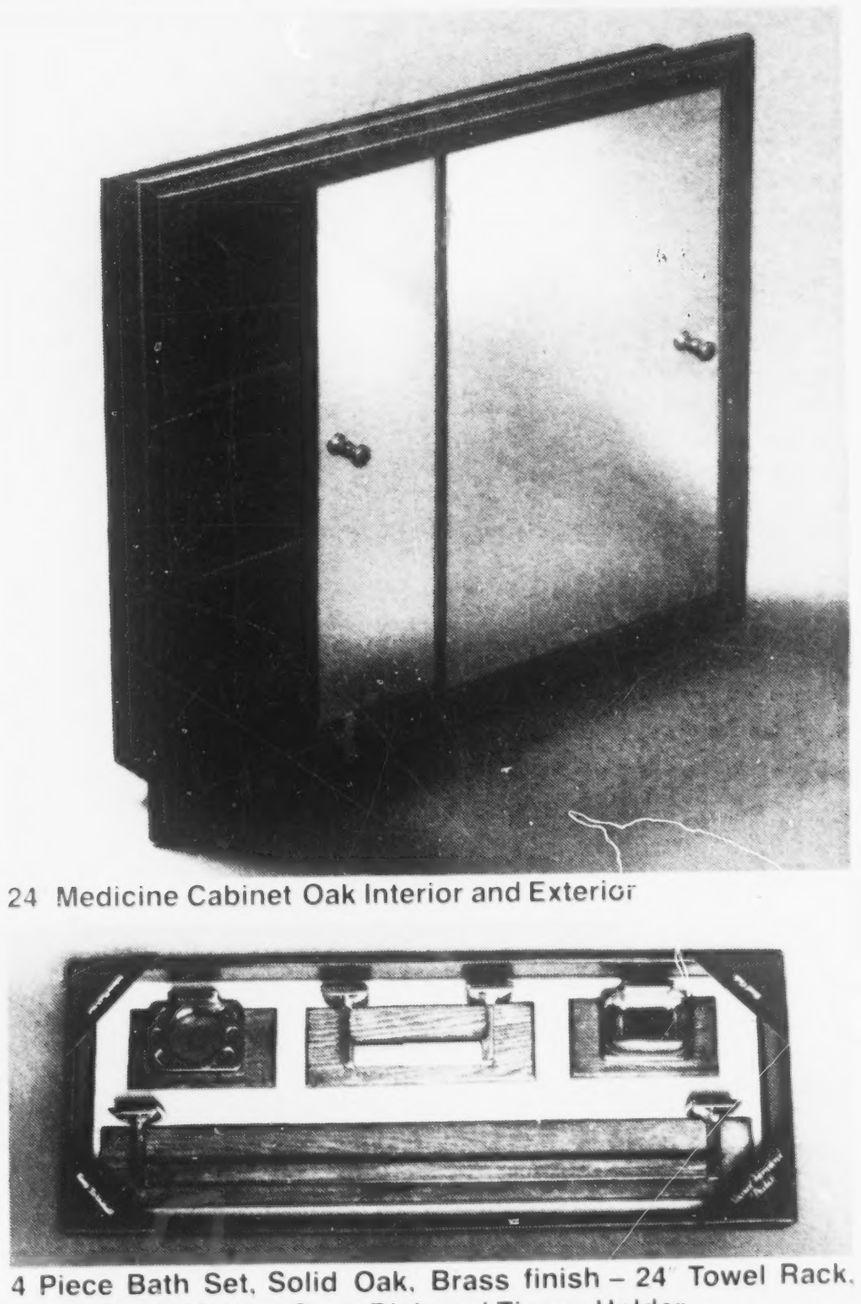

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Why home construction will not hit expectation

(Continued from page 46)

a year during the decade. The Do-It-Yourself Research Institute, meanwhile estimates total home improvement spending will become a $120-billion-a-year industry by the end of the decade, a little less than double its current level.

Secondly, those very investments will offset some of the demand for new homes themselves.

The Housing Frontier

While demand for new homes in this decade may be less sizable than originally thought, it remains vast, nevertheless.

Housing analysts, including Dean Christ, research economist of the National Assn. of Home Builders, and Barbara Alexander, vice president, Smith Barney Harris Upham, concur that the 1980's will still see an average of 1.6 million conventional homes built a year in this decade, compared to 1.79 million units averaged during the 1970's.

Yet one of the most significant, if least appreciated developments emerging from the 1970's, according to Apgar and others, was the shift away from larger to smaller metropolitan areas, and to nonmetropolitan areas. Consider:

- The group of counties that share no common border with an existing metropolitan area, accounted for 40% of all nonmetropolitan growth, according to Apgar. People are no longer just moving from city to suburb, but to the expanding urban fringe, and beyond.
- The population in nonmetropolitan areas rose 14.6% during the 1970's, compared to 11.4% nationally.
- 44% of the nation's more than 3,000 counties—urban and rural—lost population during the 1960's; only 18% of the counties lost population during the 1970's.
- 38.5% of total new home construction, including mobile home placements, went in non SMSA markets between 1975-80—up from 33.6% in the first half of the decade, and 30.1% the decade before.

Single-family homes return

The resurgence in housing this past 15 months has, for the moment, stemmed the acceleration of growth in nonmetropolitan areas, admits Apgar. But the shift in housing activity away from densely settled areas to fringe areas and nonmetropolitan areas will be as important to monitor in the 1980's as the shift from the frostbelt to the Sunbelt, he believes.

One reason is the impact on the type of housing in demand.

One out of every five housing starts in the late 1970's was in the nonmetropolitan South, Apgar pointed out, and 90% of those houses were single-family homes. In central cities in the northeast, single-family dwellings accounted for only 25% of conventional starts.

"Though diminished household size and increased housing cost seemingly point to greater emphasis on high density, multifamily development, continued growth of low density nonmetropolitan areas will certainly moderate and could perhaps even forestall any future declines in single family starts as a share of total new construction," said Apgar. "Indeed, if homebuilders are able to capture any significant share of the low cost, largely nonmetropolitan market now being served by mobile homes, the national share of single family starts could even increase."

Marketing implications

Retailers eying longstanding relations with small builders who are positioned to serve these smaller markets may have reason to rejoice.

But the picture isn't necessarily rosey.

The nation's leading home manufacturers are not only gaining market share by supplying homeowners. Some, like Ryland Group, among others, are reportedly developing their modular home systems to sell to other builders.

Smith Barney's Barbara Alexander points out two reasons:

Many modular houses are indistinguishable now from stick built homes and that is breaking down some of the prejudice against 'mobile home' like houses," she said. "Secondly, the cost of building is often more expensive in these [nonmetropolitan] areas. There is not the economy of scale there that is being achieved today [at modular assembly plants.]"

"Cost advantage doesn't mean a thing though if you don't have a product people want," she admitted. As modular homes gain acceptance, however, a growing number of builders may be willing to forego contracting work, and coordinating a homebuilding project instead of bringing customized modular units to the site.

Retailers still aggressive

Many retailers, though, like Lowe's, Scotty's, Wickes and Wolohan Lumber, among others, are studying new ways to penetrate the builder supply business.

Lowe's, with nearly 240 stores in 19 states, is positioning itself not only to be "a heavy commodity supplier for builders of one home, or 1,000 homes," said Ben Phillips, vp/corporate professional sales, "but to be a much better supplier of interior finishing products."

Not incidentally, though, Lowe's is expected to announce shortly that it will open its first truss assembly plant in Sanford, Fla., within the next 90 days, to better penetrate the Florida building supply market.

Wickes Lumber, meanwhile, is currently in the process of rolling out a computerized home package modification program, in all 224 of its stores this month. Homeowners and builders alike can make changes to the chains 22 basic models, adding a bathroom, or enlarging the garage; a Hewlett-Packard plotter now in Atlanta will retrace the blue prints, and issue a new material list, to be mailed to the branch store, overnight, if necessary.

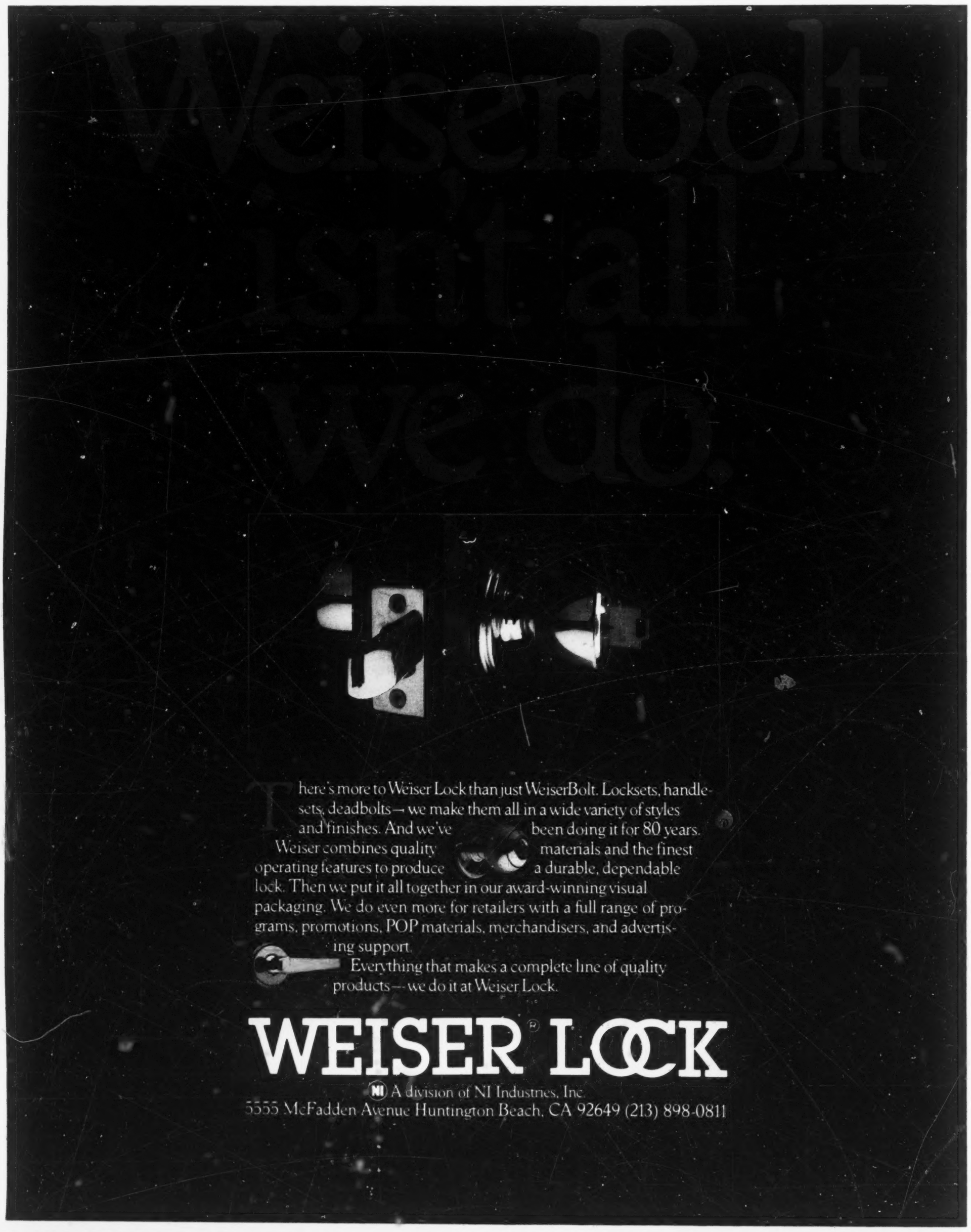
Aftermarket still hot

Clearly, though, while homebuilding will be a vital source of income and opportunity for building material retailers in the 1980's, consensus indicates that the new home market will be smaller in the decade ahead.

How much companies like U.S. Home, Pulte, Ryan, General Homes, Centex, Jim Walter Homes and other homebuilding giants will dominate the market, as some suggest, is still a subject of much debate.

There is virtually no debate, however, that the home repair, remodeling and alteration market can only get larger as the nation's housing stock continues to grow and age. As houses spread into new nonmetropolitan markets, so too will home improvement retailers, such as Scotty's is doing with its new chain of hardware stores (*NHCN*, Feb. 27).

"The big positive," said Barbara Alexander, in looking at the future of the housing industry, "is the number of homes that are now 20 years old in need of major work."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MERCHANDISING

Home center retailers emphasizing gas grills

By Elizabeth Brent
NHCN staff editor

NATIONAL REPORT—Home Center retailers will be strengthening their barbecue gas grill category in 1984 with an emphasis on higher ticket merchandise, expanding accessories and using a variety of advertising methods to boost sales.

Paul Blake, lawn and garden buyer for Scotty's Winterhaven, Fla., will be "going for a bigger push this year for higher-end grills in the $250 to $300 range." Last year his best-selling point was $200.

"As the market matures replacement parts like brick and shelves" will be in increasing demand, he added, and plans on extending his accessory range which currently includes gas cylinders.

Tony Blake, purchasing agent for Busy Beaver, the 30-unit chain based in Pittsburgh, finds the midrange gas grill has best-selling point between $129-$169 and sees "customers moving away from the pedestal grill to the cart grill."

Bob Swanson senior merchandising vp at Lowes, North Wilkesboro, N.C., sees gas grills accounting for 70% of all barbecue sales although he stocks four gas grills out of seven stock keeping units. His best price points, he said are around $139, $169 and $199. "We feel that most of the customers buying a second grill, as opposed to a first one, want a better quality product."

Payless Cashways, in an attempt to expand their lawn and garden section will be introducing barbecue equipment for the first time stocking between three to four sku's of gas grills. (Its Lumberjack chain has stocked the grills for several years.)

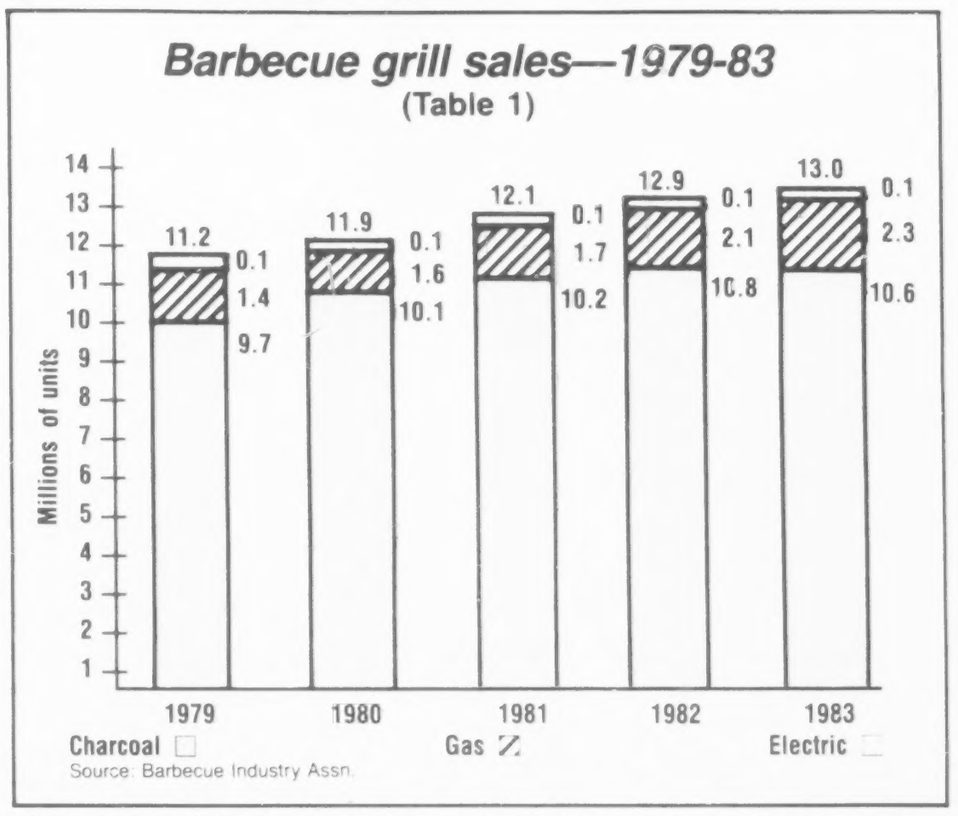
Steve Kolitch president of Kay's independent home center in Lodi, N.J., stocks 16 sku's of gas grills out of a 24 sku barbecue equipment. He finds his best price point also comes in the upper price range at $199.

Buyers are turning to a variety of advertising methods to help barbecue sales. Paul Blake said that Scotty's advertised for 10½ months stopping only between Dec. 15th and Feb. 1st. His advertising opens with a full line of grills and only later in the season does it enter on critical lines.

Lowe's opens their advertising in March with lower price point models and introduces higher ticket models later in the season. Their advertising is done primarily with 12 to 20 page tabs which come out once, twice or three times a month depending on the season, said Bob Swanson.

Lowe's is considering using TV advertising Memorial Day or Fourth of July when barbecue items would be featured along with three other prod-

(Continued on page 67)



Barbecue grill sales grew from 11.2 million units in 1979 to nearly 13 million in 1983.

Lloyd eyes pro/retail biz

(Continued from page 65)

subsidiary in Pennsylvania, because Buchanan units average only 2,500 sq. ft. of sales space and do 65% of their volume with builders.

"We want to get more retail business into Buchanan," Anglin said, however.

Another change at Buchanan this year may be a name change at Lloyd. Buchana is the last of Lloyd's operations not to carry the parent's name. Lloyd officials have already changed the names of their Lundy and Briggs Lumber units in New York and Pennsylvania to Lloyd.

"We'll have to see if that [changing the name] is the logical thing to do at Buchanan," Anglin said. "It would be a big change. The Buchanan name carries a lot of loyalties."

Anglin feels very strongly that Lloyd personnel are the keys to achieving the company's goals.

"At Sherwin-Williams," he said, "I learned that the only way to perform is through the people." As a result, key personnel additions at Lloyd since Anglin came on board have included Alan Sandler as director of personnel and Daniel Viens as training manager.

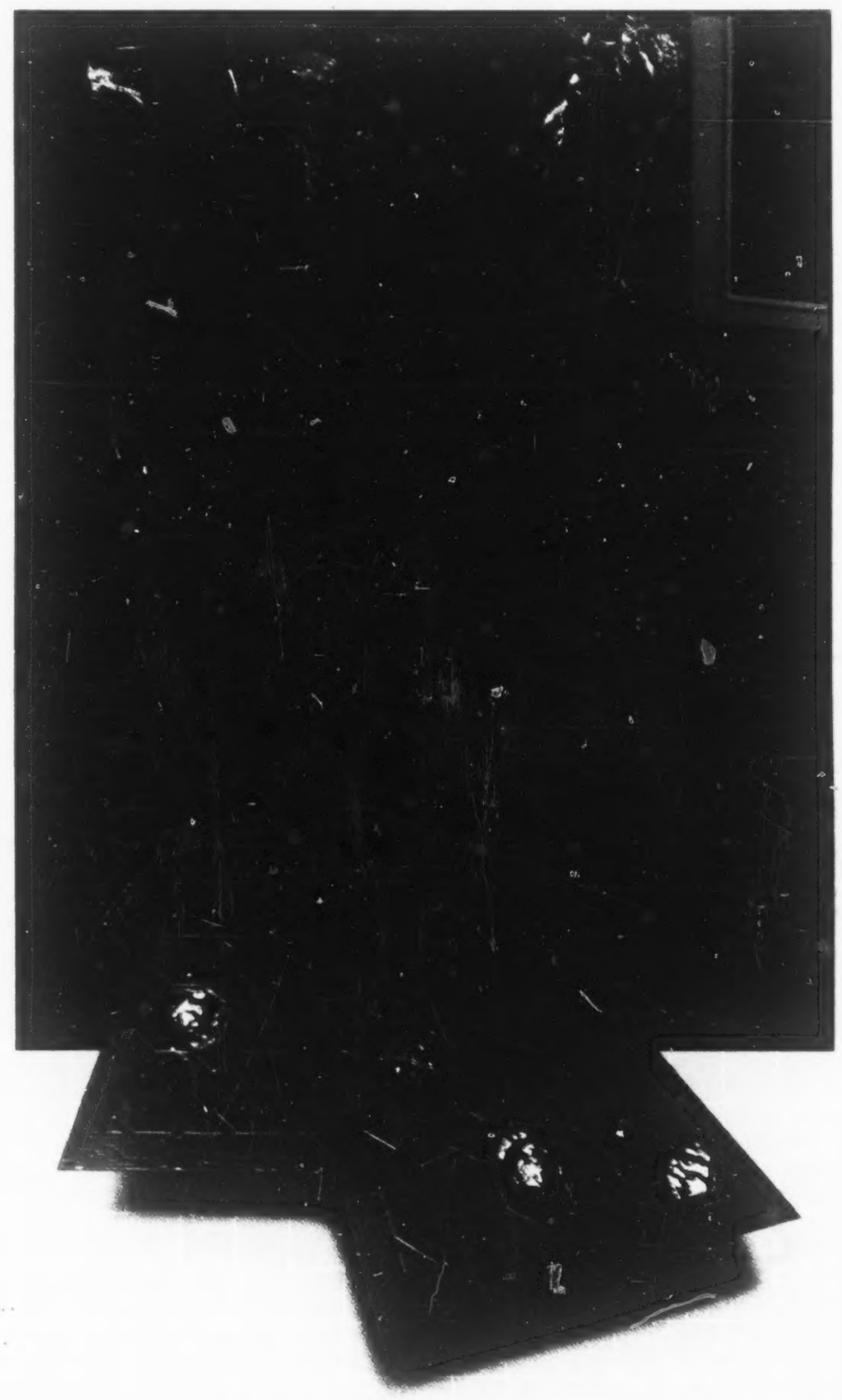
In January, the chain conducted meetings for its managers and assistant managers and throughout the year, Lloyd personnel will continue to receive training in sales and product knowledge as reinforcement, according to Anglin.

"We've had good support from our people," Anglin remarked. "They've done a lot and in the past, they've done things right. We want to give them more support and more expertise to strengthen what they already have."

These 1984 programs should set the stage for growth in terms of expansion next year, according to Anglin.

"We may have a few relocations this year," he said, "but to be a major factor we must expand."

He noted that Lloyd will probably grow in southern Connecticut and southeastern New York State, areas in which it is already familiar.



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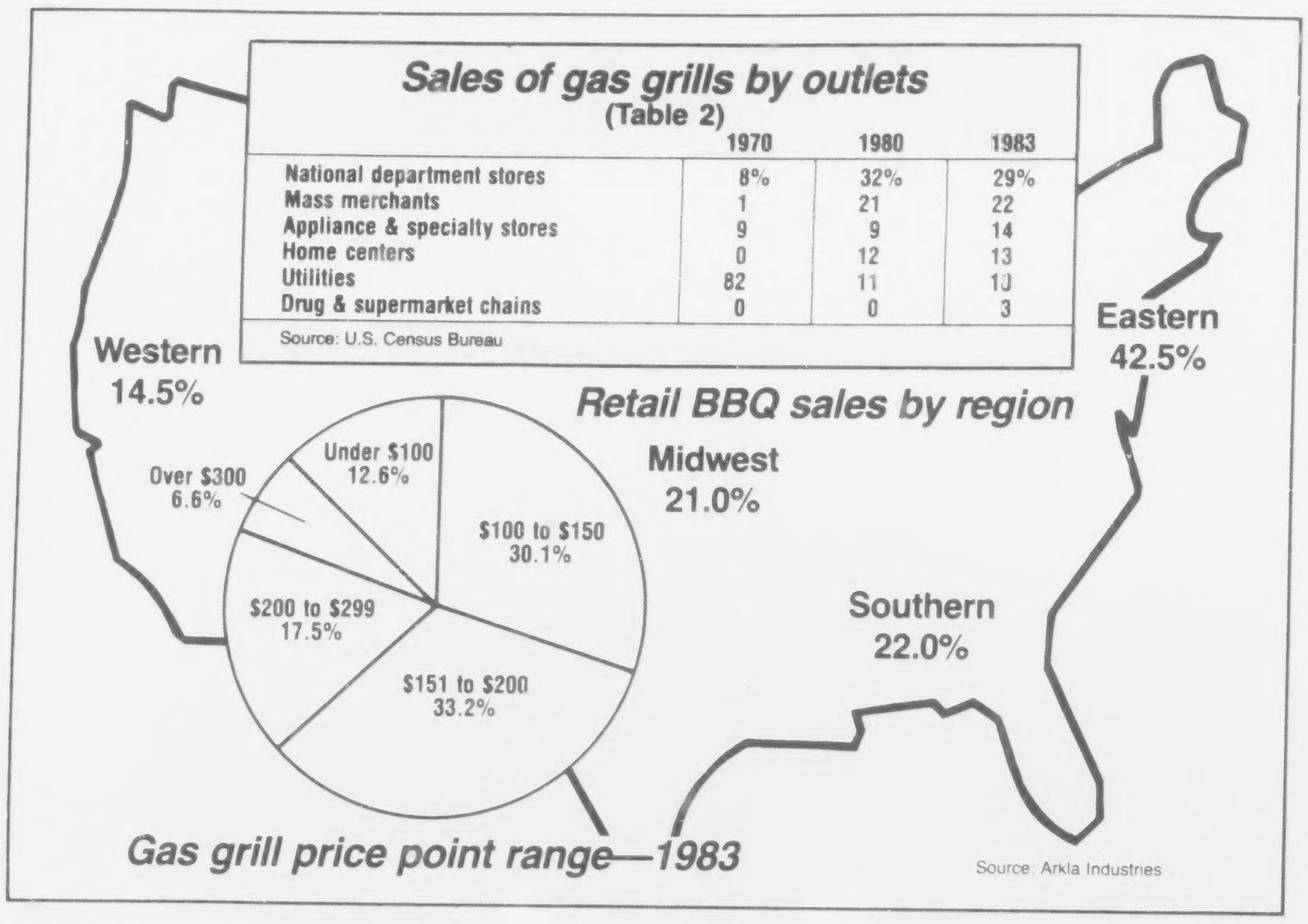

Sales of gas grills by outlets
(Table 2)
1970 1980 1983
National department stores 8% 32% 29%
Mass merchants 1 21 22
Appliance & specialty stores 9 9 14
Home centers 0 12 13
Utilities 82 11 10
Drug & supermarket chains 0 0 3
Source: U.S. Census Bureau
Retail BBQ sales by region
Western 14.5%
Midwest 21.0%
Eastern 42.5%
Southern 22.0%
Over $300 6.6%
Under $100 12.6%
$100 to $150 30.1%
$200 to $299 17.5%
$151 to $200 33.2%
Gas grill price point range—1983
Source: Arkla Industries

Retailers emphasizing higher-end gas grills

(Continued from page 66)

ucts. This campaign would run simultaneously with print advertising.

Don Cohen, president of the specialty store Tool King based in Denver, will also use extensive TV and radio coverage to open his barbecue season from early April to June. The whole line of grills will be advertised from low-end models at $79.95 to high-end models at $239.

Later on in the season the computer will track sales, and advertising will then be geared toward the end which needs it, said Don Cohen.

Last year he sold 1,500 units and hopes to increase this to 2,500 in 1984 in part by reducing all of his prices by 15%, and is increasing his floor space from 100 to 120 sq. ft.

He sees the accessory market growing and will expand this in 1985 to cover rotisseries, side shelves, cookbooks and utensils. This year he will introduce replacement parts to fit any grill. He also offers full service for in-house grills.

All American Home Centers, the independent chain in Downey, Calif., relies on circulars for its main advertising thrust and will begin a three-week promotion of higher ticket sales gas grills along with patio furniture on April 1st. Len Rosenfeld, advertising manager, said that promotions were done in accordance with the dollars that the department means to the store.

Charcoal best selling but gas leads in $ value

NATIONAL REPORT—Barbecue grill sales rose by 0.4% to 12.69 million units in August 1983 from 12.91 million in the previous year, according to the latest estimates from the Barbecue Industry Association.

Charcoal remains the best-selling barbecue grill with 10.6 million units sales in 1983 (see chart one) although sales have dropped by 1.7% from last year's 10.8 million units. However, charcoal grills still control 81.7% of the market by unit sales (chart three).

Gas grills have the fastest-growth rate rising from 2.04 million units sold in 1982 to 2.28 million in 1983, an 11.8% increase. By dollar value gas grill sales continue to be the most important with 61% of the market in 1983 (see chart three).

Electric grills recorded sales of 91,000 units accounting for 0.7% of the market by unit sales and 1.45% of the market by dollars (chart three).

A report on the barbecue market published by Arkla Industries Inc., predicts that gas grills will continue to increase their sales and by 1987 will account for 21.2% of the market, but charcoal will remain the most important with 77%.

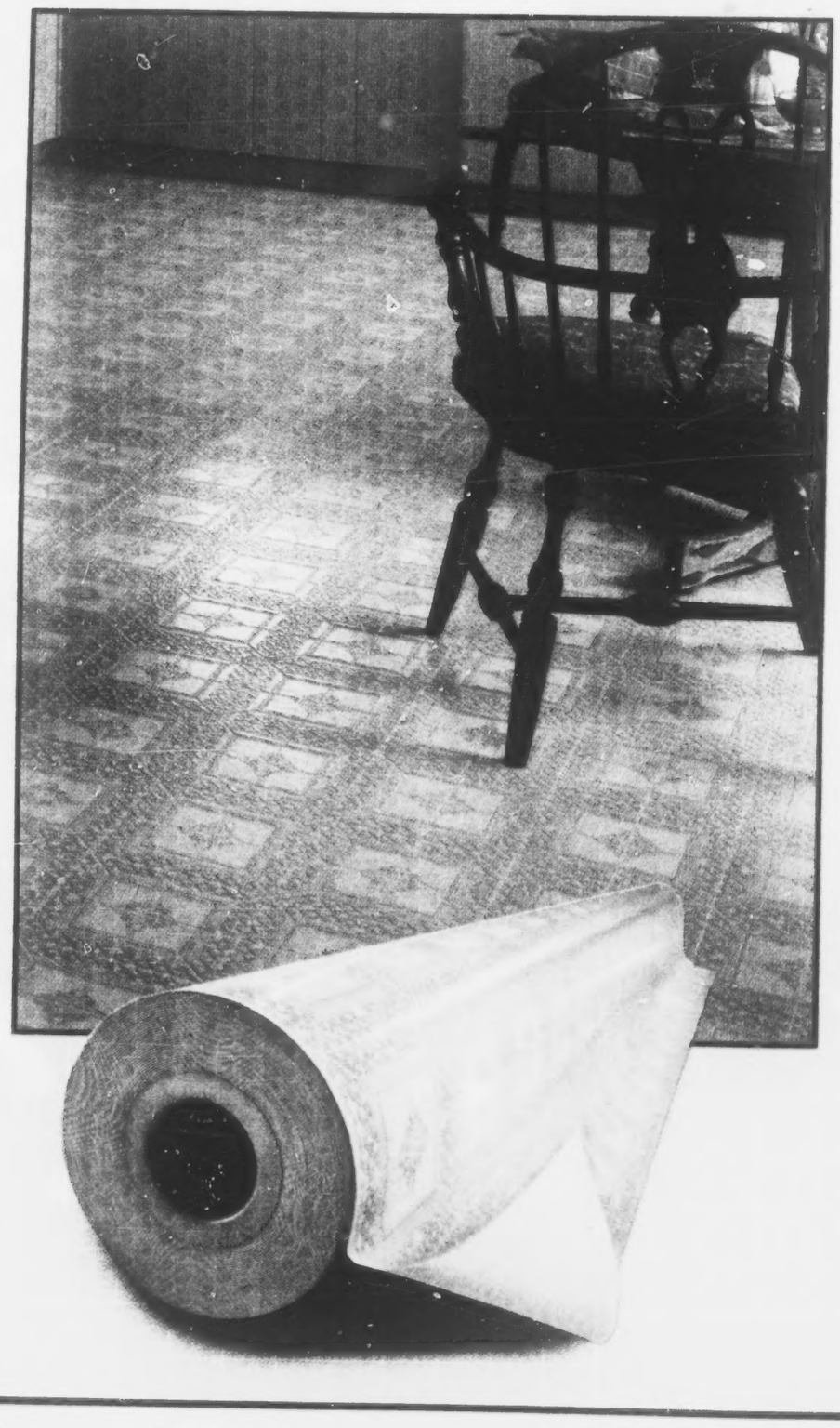
The same report shows that home centers have increased their share of the industrywide retail unit sales of gas grills from 0% in 1970 to 13% in 1983 (see table two). Home centers trailed behind department stores with 29%, mass merchants 22%, they have a rapidly growing competitor in appliance and specialty stores with 14%.

As the accompanying map shows (chart two) the most important market for gas grills in the United States in 1983 was the East recording 43% of all sales in 1983, even though this area contains only 16% of the population. Therefore, approximately one-quarter of the population is buying almost one-half of all gas grills.

The Arkla study also found that the best-selling price point for gas grills was between $151 to $200 with 33.2% of all sales with 30.1% of 1983 sales in the $100 to $150 range (chart two).

So the midprice-point grills were the most popular as were the midsize grills (table five), with 51% of all gas grill sales in 1983 falling in the 326-500-sq.-in. models. This category has been increased its market share from 40% in 1979 at the expense of the standard model (251 to

(Continued on page 68)



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MERCHANDISING

Market share 1983
(Table 3)

	Units (in millions)	% of industry by units	Sales (in millions)	% of industry by sales
Charcoal	10.6	81.7%	$133.1	37.6%
Gas	2.3	17.6	216.1	61.0
Electric	0.7	0.1	5.1	1.5

Source: Barbecue Industry Assn.

In unit sales, charcoal grills dominated the barbecue grill market with nearly 82% of all grills sold being of the charcoal variety. But, in sales volume, total gas grill sals in 1983 were $216.1 million, or 61% of total grill sales.

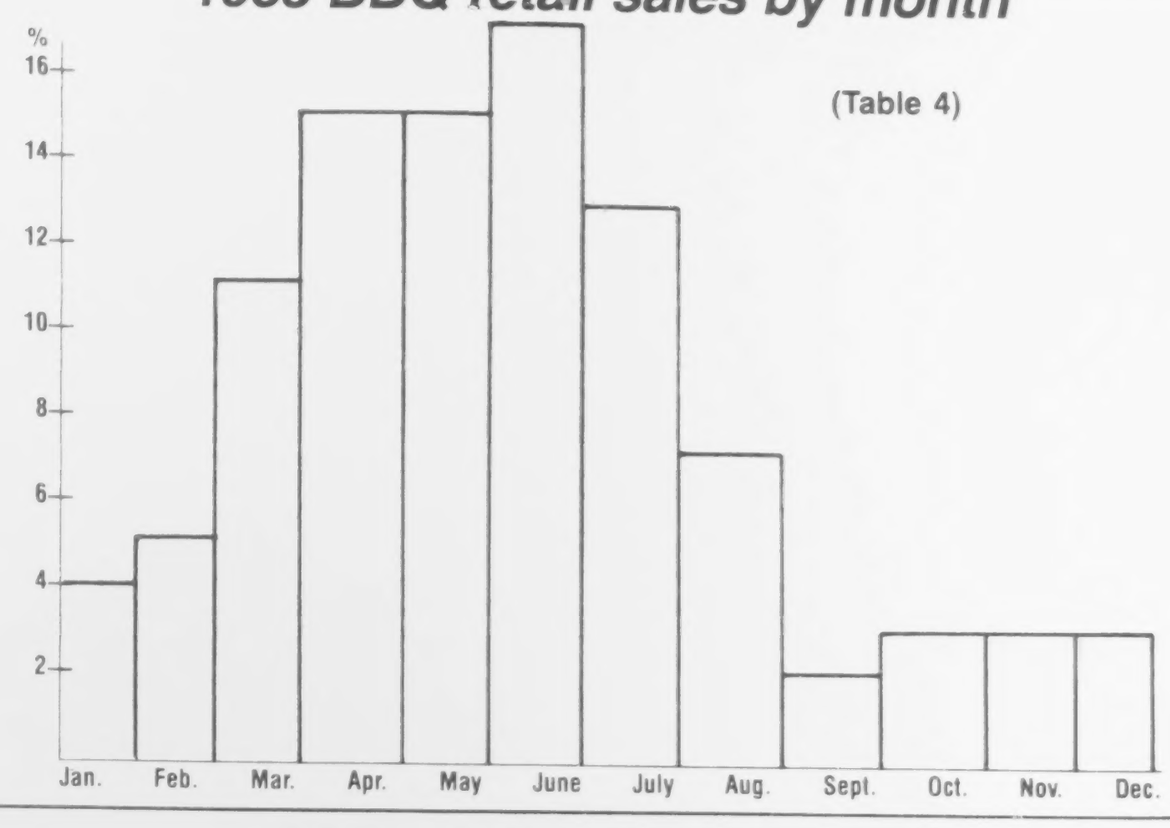
Gas grill sales by size
(Table 5)

	1979	1980	1981	1982	1983
Table Top (carry type)	1%	1%	2%	3%	8%
Small (under 250 sq. in.)	15	9	11	8	8
Standard (251-325 sq. in.)	42	39	38	35	31
Large (326-500 sq. in.)	40	42	45	49	51
X large	2	9	4	5	2

Source: Arkla Industries

Large (326-500 sq. in.) gas grills have seen a steady increase in market share since 1979, at the expense of small (under 250 sq. in.) models.

1983 BBQ retail sales by month
(Table 4)



BBQ retail sales by month

Year	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1982	5%	8%	11%	17%	14%	16%	13%	5%	2%	3%	3%	3%
1981	4	7	12	15	16	15	14	6	2	2	3	3
1980	5	7	12	18	16	16	9	6	2	1	4	4
1979	1	5	11	17	16	21	17	6	2	1	1	2

Source: Arkla Industries

June was the strongest month of BBQ sales last year, as it was in 1979.

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Charcoal best selling but gas leads in $ sales

(Continued from page 67)

325 sq. in.) which declined from 42% in 1979 to 31% in 1983.

Retailers are expecting an increase in accessory sales in 1984 and the Barbecue Industry Association found that the most important accessory sold in 1983 were rotisseries with 14.5%, followed by lava rock with 12.3% and cleaning brushes with 9.75%.

Major selling months for barbecue grills (chart four) were April, May, June and July recording 60% of total sales in 1983. The worst selling month is consistently September with 2% of total sales.

Since 1970 there has been a major change in the type of fuels used in gas grills, then 89% of all gas grills used natural gas, now in 1983 the position has been reversed with 92% of all gas grill sales being LP gas.

The Barbecue Industry Association sees the grill, accessory and [illegible]briquette industry continuing to expand in the 1980's. In the last year the number of households owning a barbecue grill in the United States rose from 63.1 million or 77% to 65.8 million or 77.3%

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If so, send us the name of your chain, store location, unit size, date of opening and a black-and-white photo so we can keep the industry informed. Send information to New Stores, *National Home Center News*, Lebhar-Friedman, 425 Park Ave., New York, N.Y. 10022.

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Upswing in DIY sales to boost future economy

Home center sales are expected to contribute substantially to the growth of the retail market in the United States over the next five years, and a new Management Horizons *study concludes that New England and the Middle Atlantic States could show the strongest per capita retail sales percentage gains over that period.*

COLUMBUS, Onio—Increases in home center sales are projected to contribute substantially towards making retailing one of the primary growth sectors in the United States economy over the next five years.

Two recently published studies conclude that average real sales in home centers from 1983 to 1988 should rise between 6% and 6.5% annually, with the average constant dollar growth in retail sales overall of 3% to 3.5% being slightly above the anticipated yearly growth rate of the Gross National Product.

However, when retail sales growth is evaluated on a per capita basis, the studies' author infers that, contrary to Dept. of Commerce assessments about continued expansion in the Sunbelt, it will be the New England and South Atlantic States that experience the greatest percentage gains.

The two published reports—*Retail Outlook: Fall 1983* and *Retail Forecast: 1983-88*—were released by Management Horizons, a marketing research and consulting firm here.

The most provocative statements made in these studies center around where retail sales growth is expected to take place.

James Newton, the studies' author, told *NHCN* that an evaluation of economic growth cannot be made solely on population expansion, and that by examining a given market's potential on a per capital basis, rather than on absolute retail sales gains, a truer picture of where retail sales are headed can be found.

"For instance, because of all the high-tech business that moved into the area, New England has come through the recent recession as well as any area of the country," he said. Other factors such as anticipated increases in income levels, new housing starts, the stability of a region's economy and, ultimately, how these will impact population growth, were taken into account to show that the South Atlantic market will also manifest the strongest per capita retail sales growth over the next five years, about 3.2% annually.

Many of the Sunbelt and Pacific markets—highly dependent on the energy and defense industries that are variable in their growth rates—will, according to Newton, be less prone to expand as rapidly as they did in the 1970's and early 1980's.

But the highly depressed markets in the Middle Atlantic and East North Central States will, according to the surveys, continue to have their problems and grow under the national annual per capita retail sales growth average of 2.4% through 1988.

Overall retail sales, during this period, will outpace the economy in general, which, according to Newton, is expected to see a real GNP growth averaging about 3% a year. In the short term, 1984 is projected to post favorable growth of between 4% and 4.5%, which will expand slowly in 1985 and 1986 and drop off somewhat in 1987 due to downward cyclical pressures.

"It's true that nobody really knows when the next recession is going to come," Newton conceded. "But, over the past few years, we've had a lot of things hit us at once: the young adult population declined; the world energy crisis and consequent runaway inflation; excess capacity in base industries that

(Continued on page 104)

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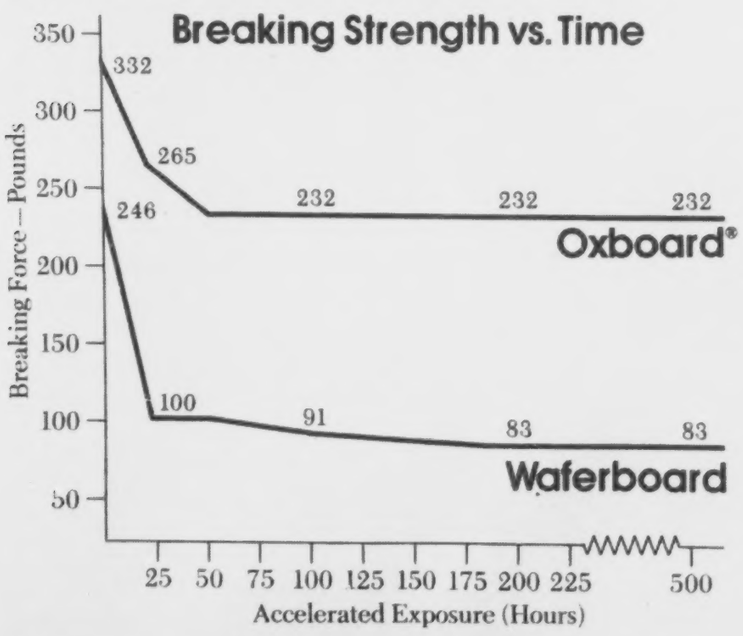

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COMPARATIVE SPANS[1]

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3/8"	Sheathing—span index	24/0	NA
	Max. roof span/no clips	20	NA
7/16"	Sheathing—span index	24/16	24/0
	Max. roof span/no clips	24	16
1/2"	Sheathing—span index	32/16	24/16
	Max. roof span/no clips	28	24
5/8"[2]	Sheathing—span index	40/20	NA
3/4"[2]	Sheathing—span index	48/24	NA

1—Left-hand number is maximum recommended spacing of roof framing in inches. Right-hand number is maximum span between floor joists.
2—5/8" and 3/4" Oxboard panels are APA certified for Sturd-I-Floor applications with the same span ratings as plywood.
3—Values are representative of typical waferboards as taken from the literature of selected waferboard manufacturers. Span capabilities vary by manufacturer.

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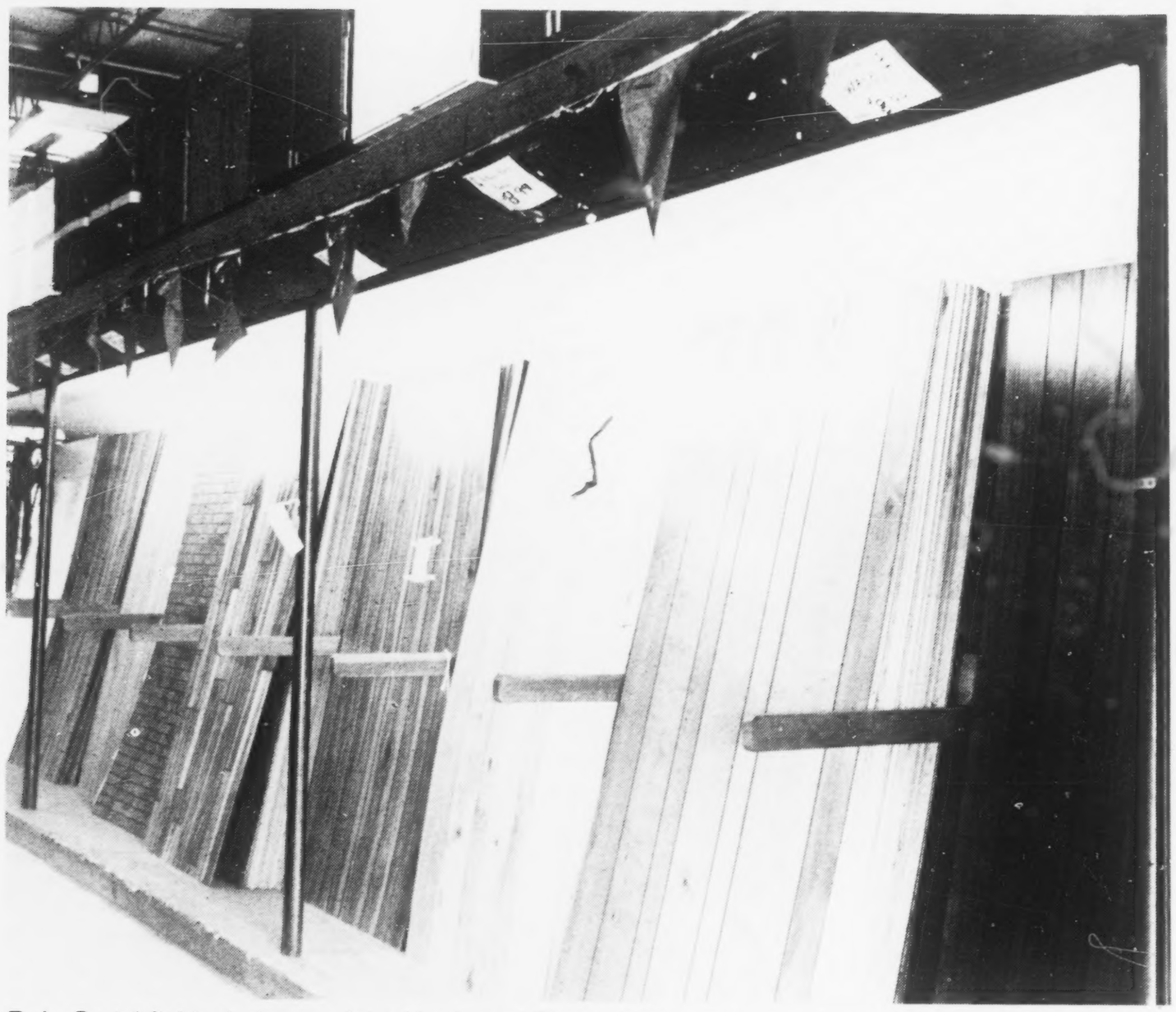

R. L. Crutchfield, chairman of the Hardwood Plywood Manufacturers Assn., has announced that the association expects an adequate supply of prefinished hardwood plywood paneling to meet this year's projection of housing starts. Paneling shown here is at Scotty's unit in Tampa, Fla.

Plywood Assn. forecasts adequate panel supplies

NATIONAL REPORT—The Hardwood Plywood Manufacturers Assn. said it expects an adequate supply of prefinished hardwood plywood paneling for this year's forecast of 1.69 million housing starts and 325,000 manufactured homes.

The announcement came last month from R. L. Crutchfield, the association's chairman. Though Crutchfield gave no estimates on 1983 production levels, he said the industry produced 1.3 billion sq. ft. of prefinished hardwood plywood in 1982. The 1982 figure showed a decline of more than 50% from the 3 billion sq. ft. produced a decade before.

Meanwhile, Crutchfield added that about 75% of the substrate hardwood used in prefinishing in 1982 came from Southeast Asia. He noted a dramatic rise in the number of Indonesian plywood mills since 1981, when there were only 34 operating in that country. The number had risen to 70 mills in 1982 and was expected to reach 119 by the end of 1984. Another 69 mills are expected to emerge by the end of this decade.

Korea has been the main supplier of hardwood plywood to the United States until now.

Crutchfield said demand for prefinished hardwood plywood grew during the recent recession for use in repairing and renovating older homes. Hardwood needs to increase its share of the rehabilitation market, he said.

Upswing in industry sales to improve future economy

(Continued from page 102)

clobbered our export capabilities; unemployment.

"But now, all these things are starting to stabilize and there's been a lot of structured readjustment, making it easier, to some degree, to make predictions about the future."

He added that, while it cannot be asserted categorically that the next recession would occur sometime in 1987, "the realization that a recession will eventually happen is crucial for effective strategic planning."

The studies forecast that, in the short run, inflation will remain relatively modest, with price levels rising between 4.5% and 5.5% during 1983 and 1984.

Over the longer term, though, inflationary pressures should build as the United States moves through its recovery, reaching a peak inflation rate of 7% to 8% during the 1983-98 time frame. At the same time, the nation's unemployment rate will remain extremely high with the rate failing to fall below 7% through 1988.

But in regard to inflation, the retail trade sector will outperform the rest of the economy, with average retail price rises being about one-half of one percentage point lower than that for the GNP "implicit price deflator," according to the studies.

Besides the anticipated increase in home center retail sales volume, other durable goods sectors expected to generate strong growth include consumer electronics and appliance stores (with an average real sales growth of 4.5% to 5%), and furniture and home furnishings (5% to 5.5%). Nondurable goods, on the other hand, are projected to perform below average, with growth between 2% and 2.5% annually.

When's your show?

If home center operators will be attending your show, association convention or special seminar, NHCN wants to know. Send date, location and schedule to: Calendar, *National Home Center News*, Lebhar-Friedman, 425 Park Ave., New York, N.Y. 10022.

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158°F	14.7 PSI	65.3 PSI	127 PSI
–40°F	836.7 PSI	776.7 PSI	1070 PSI

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MERCHANDISING FEATURE:
The caulk gun dilemma–pp. 20-26

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National
Home Center News ®

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Robert L. Strickland, Lowe's chairman (left), kicked off ninth annual National Home Center Show in Chicago with keynote address that included a few friendly barbs aimed at, among others, Payless Cashways' president David Stanley. NHCN photo

Payless Cashways acquires two-unit Somerville Lumber

Deal lifts K.C. chain into $1 bil. club

By John Caulfield
NHCN senior editor

SOMERVILLE, Mass.—Payless Cashways has signed a definitive agreement to purchase two-unit Somerville Lumber, one of the strongest independent companies in the home center industry.

The deal was struck on March 9, and was expected to be closed March 28, according to Somerville co-owner and president Melvin Cohen. Payless officials added that it would be consumated no later than mid-April.

According to the terms of the agreement, 137-unit Payless will buy all Somerville's capital stock and real estate in exchange for 2,120,000 shares of Payless [illegible]

[illegible] the total acquisition price is expected to total $44 million, according to Cohen.

Purchase of the Boston-area independent, with sales last year of $46.7 million and net earnings of $2.9 million, immediately propels Kansas City-based Payless into the industry's $1 billion sales club, along with W. R. Grace and Lowe's.

Payless' sales in 1983, when adjusted to include its acquisition of the 14-unit Prime Home Centers in Denver, which was actually finalized on Jan. 15, were $959.1 million, with earnings hitting $37.9 million.

"The primary catalyst for making this deal work was the great respect we at Payless have for the high degree of professionalism and business acumen the Cohens have," said Payless executive vice president Harlon Seats. "Both David [Stanley, Payless' president] and I have visited Somerville's stores several times and we've come away with a great deal of admiration."

The Somerville deal brings to Payless a company founded in 1956 that has been run for close to 30 years by the Cohen family. Its flagship store in Somerville, with volume of $36 million believed to have the highest sales of any single retail home center in the country, has a 40,000-sq.-ft. showroom, a 36,000-sq.-ft.

(Continued on page 89)

Industry's mood upbeat, brisk business reported at Home Center Show

NHCN staff round-up

Chicago—Retailers and manufactucers were all business at the ninth annual National Home Center Show earlier this month.

Apparently undistracted by the recent tumultuous events that suprised many in the industry just prior to the show—including announcement of Wickes Cos.' Chapter 11 reorganization plan, Payless Cashways' acquisition of Somerville Lumber and the K mart-Hechinger warehouse joint venture—retailers were concentrating more on their own businesses in preparation for what many saw

(Continued on page 89)

Hines to purchase 7 Kindt stores in Wis.

By Greg Puchalski
NHCN senior editor

CHICAGO—Edward Hines Lumber will acquire the seven Kindt home centers in Wisconsin, according to an agreement in principle between the two firms.

The transaction, for an undisclosed price, is slated for closing around April 1 and will give hines 32 stores but its first units outside the Chicago market.

[illegible] position is also the [illegible] Hines since it divested [illegible] of its manufacturing facilities during 1982 and 1983, amassing about $50 million, $23 million used to reduce debt, in the process.

Most of the remainder of the money received from the divestiture has rested in the [illegible] and equivalents" section [illegible] quarter sheet for [illegible] company [illegible] and extensive studies [illegible] how to invest it in its retail and wholesale operations. Those studies are continuing, according to company officials.

On paper, the Hines-Kindt transaction appears to be a good match between two companies that have been headed in similar directions.

Both do approximately half of their sales with consumers, emphasize their lumber and building materials business heavily and have aimed to beef up DIY sales while continuing their builder activity.

Last year when Kindt totaled $40 million in sales, the Lomira, Wis.-based company opened its first consumer-oriented unit, a 22,000-sq.-ft. facility which does about 95% of its business with DIYers, in Menasha, Wis., in a high-traffic location (*NHCN*, March 28, 1983). The store was Kindt's third to feature a race track aisle.

The chain has also been somewhat progressive. The Menasha store makes use of passive solar concepts, a theme for Kindt, in recent years, to its customers. Kindt's home improvement seminars have appeared on the local educational

(Continued on page 89)

Depot nabs beachhead for Calif. assault

Also targets Houston, Jacksonville markets

By Brad Altman
West Coast editor

LOS ANGELES—The Home Depot has secured its first store location for the chain's long-anticipated assault on southern California.

The [illegible] chain has obtained a [illegible] count department store of [illegible] about 75,000 sq. ft. in the Orange County city of Huntington Beach.

"We have sold our interest in the store to Home Depot. They will own the store," Ed Solomon, chairman of Zodys parent HRT Industries, Los Angeles, told *NHCN*. "We have completed the [illegible]

NHCN has also confirmed [illegible] that The Home Depot this year plans to open three to six stores in Houston and two in Jacksonville, Fla.

The Huntington Beach store, located at Golden West Street and Edinger Avenue, is only three miles west of the two-unit Home Life Warehouse chain's [illegible]

[illegible] warehouse comparable [illegible]

Home Depot chairman Bernard Marcus would not comment about the Zodys site. He had previously remarked that the company's California debut would involve more than one store. And industry observers noted that Home Depot executives have been recently scouting other sites. San Diego has been mentioned as a probable market.

Earlier this month, Marcus told a meeting of Los Angeles security analysts that "sometime in the future you can look for The Home Depot in California."

The following [illegible] emerged from that meeting: This year Home Depot may open its first store outside the Sunbelt; the company has applied for listing on the New York Stock Exchange, and two stores are planned for Tucson, Ariz., in the near future, as well as a fourth unit in Phoenix.

The Phoenix outlet will be a

(Continued on page 89)

NEWSBREAKS

OLE'S SPINS OFF WAREHOUSE COMPANY. Ole's is financing the development of a southern California discount chain called, "The Loading Dock" to be run by former Ole's executives. The Monrovia, Calif., venture will be separate from Ole's operations, and is scheduled to open in the fall.

RICKEL WAREHOUSE. Rickel Home Centers, So. Plainfield, N.J., is converting its Warminster, Pa., unit into a warehouse format, a first for the 34-store chain. The company's 1984 four-store expansion will include its first outlets in Maryland, probably in Baltimore.

BE DEBUTS SUPERSTORE. 56-unit Builder Emporium, Irvine, Calif., this month opened its first "superstore," located in an ex-Wickes [illegible]

INSIDE:

PAYLESS CASH [illegible] center industry television ad [illegible] . . . . . Page 3
SCOTTY'S IS COU [illegible] 2-for-1 airfare promo and a trainload insulation [illegible] make March the biggest sales month in company history . . . . . Page 39
WEST BUILDING MATERIALS' newest store is a melting pot of many merchandise and display styles . . . . . Pp. 78-81
MOORE'S UNVEILS ITS 1ST STEP in companywide drive to retrofit existing units into warehouse-type stores . Pp. 82-84

NHCN's *1983 Top 10 DIY chains*

Rank 1983	Rank 1982	Name of chain	DIY Sales (millions) 1983	DIY Sales (millions) 1982	No. of stores 1983	Total Sales 1983	DIY % 1983
1	1	W. R. Grace	$973	$840	286	$1,024	95
2	3	Payless Cashways	821	573	121	864	95
3	2	Evans Products	790	695	345	929	85
4	4	Lowe's	724	569	238	1,431	51
5	5	Wickes	443	440	285	805	55
6	7	Sutherland	426	356	82	473	90
7	6	84 Lumber	390	360	379	650	60
8	8	Hechinger	307	241	41	307	100
9	11	Rickel	275	224	36	275	100
10	9	Scotty's	271	226	105	399	68

Source: *NHCN* preliminary estimates; Payless Cashways, Lowe's, Scotty's are company figures

Payless Cashways' DIY volume leapt 43% in 1983, elevating the Kansas City chain to No. 2 on NHCN*'s preliminary listing of 1983's Top 10 DIY chains. See story, page 2.*